

Camp Releases International Tax Reform Discussion Draft

Effort part of comprehensive tax reform that independent economists have estimated would help create 1 million private sector jobs in the first year alone

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Washington, DC - Today, Ways and Means Committee Chairman Dave Camp (R-MI) unveiled an international tax reform discussion draft as part of the Committee's broader effort on comprehensive tax reform that would lower top tax rates for both individuals and employers to 25 percent. In addition to rate cuts, the plan would transition the United States from a worldwide system of taxation to a territorial system – a move virtually every one of America's global competitors has already made.

Camp unveiled the draft legislative language with a specific request – that employers, academics, practitioners and workers provide comment and add their voices to the legislative process.

Commenting on the release of the proposal as a part of his overall approach to comprehensive tax reform, Camp stated, "Instead of having laws on the books that encourage hiring U.S. workers, our outdated international tax system encourages employers to keep profits and jobs outside of America. If we are serious about creating a climate for job creation, now is the time to adopt tax policies that empower American companies to become more competitive and make the United States a more attractive place to invest and create the jobs this country needs."

The Ways and Means discussion draft would:

- **Reduce the corporate tax rate to 25 percent** – bringing it in line with the average of countries in the Organization for Economic Cooperation and Development (OECD). The Committee continues to examine base broadening measures that will replace the revenue foregone by reducing the corporate tax rate, so these measures are reserved in the discussion draft for future release.
- **Shift from a worldwide system of taxation to a territorial-based system.** The new plan:
 - Exempts 95 percent of overseas earnings from U.S. taxation when profits are brought back to the United States from a foreign subsidiary.
 - Includes anti-abuse rules to ensure companies do not avoid paying their fair share of U.S. taxes.
 - Frees up existing overseas earnings to be reinvested in America after they are taxed at a low rate in line with current repatriation proposals.
 - Makes American companies more competitive on the global stage with little or no impact on the federal deficit.

In advocating the need for international tax reform, Camp cited several reasons why current U.S. tax policies are putting American employers and workers at a competitive disadvantage:

- **America will soon have the highest corporate tax rates in the industrialized world:** Only Japan has a higher corporate tax rate than America, which has a combined federal-state rate of 39.2 percent – and Japan has already indicated its intent to lower its rate.
- **Our "worldwide" system of taxation is a remnant from the Cold War:** While it has been 25 years since Congress reformed the tax code, it has been almost 50 years since it undertook a bottom-up review of our international tax laws. In other words, our international tax rules were written when the United States accounted for 50 percent of the global economy and had no serious competition from others.

- **American employers face double taxation compared to their foreign competitors:** As a result of our “worldwide” system of taxation, when U.S.-based companies try to bring profits back home, they must pay U.S. taxes on top of the tax they already pay in the foreign market. U.S. tax laws encourage investing in a foreign country instead of bringing profits back home: Because U.S.-based employers face additional taxes if they bring their overseas earnings back to invest in the United States, it is cheaper for these companies to reinvest profits overseas instead of creating jobs here.
- **America is losing ground:** In 1960, U.S.-headquartered companies comprised 17 of the world's largest 20 companies – that's 85 percent. By 2010, just six – or a mere 30 percent – U.S.-headquartered companies ranked among the top 20.
- **Our foreign competitors are actively reforming their tax laws:** Other countries are actively reforming their international tax codes – giving employers lower rates and moving towards a territorial tax system. Countries like the United Kingdom, Canada, and Germany, have recently lowered their tax rates to spur job creation and economic growth. Yet, America is sitting on the sidelines doing nothing. The United States cannot sit back and watch jobs go overseas because the tax code provides such perverse incentives.